

**FOR IMMEDIATE RELEASE**

**May 9, 2013**

**MEDIA CONTACT:** Meg Olberding, [meg.olberding@cincinnati-oh.gov](mailto:meg.olberding@cincinnati-oh.gov) or 513-352-5358; 513-368-1083 (cell)

**CITY MANAGER'S BUDGET RELIES MOSLTLY ON CUTS TO BALANCE**  
***Layoff Number Reduced To 201 City Employees***

Today, City Manager Milton Dohoney, Jr. presented his recommended budget for FY 2014-2015 to Mayor Mark Mallory, per the provisions in the City Charter. While the Manager's budget, with support from policy makers, has typically centered on strategies for growth to expand the local economy, this budget is constructed in light of the lack of revenue from the Parking Modernization and Lease, approved by the majority of City Council but held up in litigation. As part of parking litigation, City legislation cannot take effect immediately; therefore Council must pass a budget before June 1 in order for it to take effect July 1.

The Recommended Fiscal Year (FY) 2014 General Fund Operating Budget is \$352.6 million. Overall, the \$35 million gap was closed through staff reductions; reduction of funded positions that are vacant; furlough days for City Management; reductions to funding to outside agencies; departmental savings; use of casino money; use of carryover from the 2013 fiscal year; and a series of 2014 expenditure reductions and 2014 revenue adjustments and enhancements.

Expenditure reductions of \$20.4 million are recommended in FY 2014 when compared to the 2013 Continuation Budget (the amount needed to keep service delivery at 2013 budgeted levels).

"While balancing a budget deficit with mostly cuts is not preferred, the timing of the new fiscal year coupled with the timing of the litigation over the parking deal makes it the only real option with a number this large," said Dohoney. "Our goal is going to be to recall staff as soon as possible and provide the best customer service we can deliver for the citizens in the meantime. We have a dedicated and professional city workforce, so I know they will do their best and I'm sure the community will work with us as well."

Dohoney's budget recommendation reduces the projected Police Department layoff numbers from 149 to 66. Fire personnel layoffs have been reduced from 118 to 71. The number of non-sworn layoffs is being reduced to 64 people. In addition, 59.9 full-time equivalent vacant positions are being eliminated. Under this scenario, there are no planned police or fire recruit classes. Further, because the total number of layoffs was reduced from earlier projections, the layoff costs are \$3.5 million.

**Public Safety Recruit Class and Sworn Position Eliminations**

A total of \$11.8 million will be saved in FY 2014 through the combination of sworn personnel layoffs and the elimination of planned recruit classes within both the Cincinnati Police Department (CPD) and the Cincinnati Fire Department (CFD). Within the CPD, elimination of the planned recruit class of 50 to take place in FY 2014 will save \$2.7 million. Fire personnel cuts will generate a total of \$3 million in savings in FY 2014. This will lead to an estimated 10 brownouts a day in which one truck in a firehouse does not run.

The Police reductions take staffing levels to the minimum number before any personnel paid for by the COPS Hiring Grant from the Department of Homeland Security would be laid off. Due to the economic

circumstances causing this layoff, this should not trigger a default of the COPS Hiring Grant. Layoffs in the Fire Department do trigger a default in the City's current SAFER grant from FEMA, requiring repayment of money spent to date in the amount of \$1.6 million. The total grant to be forfeited is \$5.9 million, as is the second grant of \$6.2 million. After full repayment, the City could apply for another grant, if an additional funding round is offered.

### **Various Service Level Reductions**

Reducing the service levels of various programs throughout the City organization including the elimination of positions within the Health Department's Community Health Environmental Inspections programs, the elimination of positions within the Law Department, and the reduction of part-time staffing within the Department of Recreation; these will result in savings of \$1.7 million during FY 2014. In considering these reductions, the Administration evaluated the service impacts against the citizen input received through the Priority-Driven Budgeting process.

### **Position Vacancy Savings**

The elimination of 17 vacant full-time positions in various departments not counted in other reduction categories will generate \$1.9 million in savings during FY 2014. In addition, multiple positions throughout the City organization will be held vacant for a portion of FY 2014 to generate an additional \$700,000 in savings during the period. These vacant position eliminations and prolonged position vacancies will further challenge departments that have already experienced significant funding and position reductions in prior budget years.

### **Reduction in Funding to Outside Entities**

These \$1.5 million in reductions help to preserve other City programs and services that have been deemed a higher priority by stakeholders through the Priority-Driven Budgeting exercise.

- Human Services Policy funding is reduced by \$721,150 to provide a total funding level of \$1 million for Human Services agencies and \$100,000 for the Center for Closing the Health Gap.
- Neighborhood Support Program (NSP) and Neighborhood Business District (NBD) Funding is reduced by a total of \$279,950.
- Funding for the Greater Cincinnati Chamber of Commerce is reduced by \$75,000 to provide a total funding level of \$100,000.
- Funding for the African American Chamber of Commerce is reduced by \$50,000 to provide a total funding level of \$100,000.
- Funding for the Greater Cincinnati Film Commission is reduced by \$25,000 to provide a total funding level of \$50,000.
- Funding for Keep Cincinnati Beautiful is reduced by \$11,550.
- Funding for the Greater Cincinnati Energy Alliance to perform reduced cost home energy audits for City residents will be eliminated, which will save \$150,000.
- The Urban Agriculture program within the Office of Environmental Quality will be eliminated, which includes \$35,000 for the Cincinnati Civic Garden Center and \$15,000 for an outside, urban agriculture consultant (\$50,000 total).
- A contract with Hamilton County Social Services to provide services related to the Cincinnati Initiative to Reduce Violence (CIRV) will be eliminated, which will save \$50,000.

The Recommended FY 2014-2015 Biennial Budget includes the elimination of the subsidy for City services provided to "Heritage Events." Currently, the City waives 90% of the City's costs for the four not-for-profit cultural/heritage events, which are the Findlay Market Opening Day Parade, the St. Patrick's Day Parade, the Black Family Reunion, and Juneteenth. This subsidy was established on February 28, 2008, through the City Council's approval and filing of Document No. 200701075. Elimination of the current 90% subsidy would result in approximately \$36,000 in annual General Fund expenditure savings.

No arts funding is budgeted for FY 2014 or FY 2015 due to the limited nature of General Fund resources.

### **Shift of Eligible Costs to Other Funding Sources**

As City government funds programs from a variety of dedicated sources other than the General Fund, the Administration is recommending seeking reimbursements from other appropriate funding sources such as capital projects, restricted funds such as the Income Tax-Infrastructure Fund and the Sawyer Point Fund, and the 911 Cell Phones Fee Fund. While the shift of these resources will leave less funding available for other uses within these funding sources, this means of General Fund expenditure reductions has limited the negative impact to stakeholders.

### **Salary and Benefits Savings from Current Employees**

A total of \$1.1 million in savings will be generated through the combination of increasing employees' cost share for healthcare from the current 5% to 10%, reducing the cost of living adjustments (COLAs), and implementing cost savings days for executive and senior level management, including the City Manager, within departments that receive funding from the General Fund. This equates to a 1.9% reduction in salary.

### **Miscellaneous Personnel and Non-Personnel Reductions**

Miscellaneous personnel reductions that include reductions to non-sworn overtime, miscellaneous employee benefits savings, and elimination of miscellaneous positions will generate approximately \$0.5 million in FY 2014. In addition, miscellaneous non-personnel reductions that include a \$100,000 across-the-board reduction to non-local travel and training, a reduction to temporary personnel, and reductions to printing services and office supplies throughout the City organization will generate an additional \$0.5 million in savings during FY 2014.

### **Program/Service Eliminations**

The elimination of certain programs and services during FY 2014 will generate approximately \$800,000 in savings and result in the reduction of 10.95 FTE within the General Fund. The following programs/services will be eliminated:

- Closure of the Camp Washington, Fairview, Filson, Spring Grove Village, and Ziegler pools after the 2013 pool season will save \$167,650 within the General Fund for FY 2014.
- The Bush Recreation Center in Walnut Hills will be closed, which will save \$127,710 within the General Fund.
- The Energy Management program within the Office of Environmental Quality will be eliminated, saving \$100,010.
- The Mounted Patrol within the Cincinnati Police Department will be eliminated, saving \$95,000 from the mounted patrol facility lease and other sundry non-personnel items for the unit. The sworn

personnel within the unit will be redeployed to other assignments within the department, and the horses will be separated from City service humanely.

- The Community Prosecution program in the Law Department will be eliminated, saving \$83,857.
- The Delinquent Accounts/Receivables program within the City Treasury Division of the Finance Department will be eliminated, saving \$75,460. This may impact future revenue collections.
- The Claims Program in the Law Department will be eliminated, saving \$55,680.
- The Tire Collection program within the Department of Public Services will be eliminated, saving \$30,880.

### **Adjustments to Costs to Maintain Current Services**

The Cincinnati Fire Department requires \$1.3 million in order to adequately fund additional lump sum payments expected in relation to the Ohio Police and Fire Pension Fund (OP&F) Deferred Retirement Option Program (DROP), additional longevity payments due to employees, increased employee benefits costs due to changes in employee plan elections, and certification pay.

The Health Department needs \$700,000 due to the delay in implementation of certain provisions of the Affordable Care Act (ACA). These provisions were originally expected to generate additional Health Services Fund revenues in FY 2014 that would have offset the department's General Fund need.

### **Other Measures to Balance the Budget**

The budget is balanced through additional \$6.0 million in 2013 expenditure savings, cancellations and carryover as well as an additional \$3.0 million in one-time 2013 revenues. In addition, the Administration is proposing to use \$9.1 million in 2013-2014 and \$7.5 million in 2015 from the casino to help balance the budget. The Manager's Recommended FY 2014-2015 Biennial Budget includes fees for which the city is currently not reimbursed.

*Policing Services for the University of Cincinnati Medical Center:* The contractual agreement from the Cincinnati Police Department providing policing services to the University of Cincinnati Medical Center calls for the hospital to reimburse the City for the salaries and benefits of the 10 Police Officers and one Police Sergeant that will be assigned to the University of Cincinnati Medical Center unit. This service agreement mitigates the need to eliminate additional filled sworn Police Department positions due to the City's current budgetary constraints. This contractual agreement would generate approximately \$452,800 in General Fund revenue for FY 2014 and \$978,000 in FY 2015.

*CRA Residential Tax Abatement Application Fee:* A \$75 service fee for Community Reinvestment Area (CRA) residential tax abatement applications that are subsequently approved. Implementation of the CRA Residential Tax Abatement Application Fee would generate approximately \$23,525 within the General Fund for FY 2014 and \$27,525 for FY 2015.

*Income Tax Late Payment Fee and Non-Filing Penalty:* A \$25 late fee for income tax filers that submit their income tax return after the filing deadline. Implementation of this reimbursement would increase General Fund and All Funds revenue by approximately \$56,000 and \$76,000, respectively, in both FY 2014 and FY 2015. Additionally, taxpayers who fail to file required income tax returns on time will be charged a \$50 non-filing penalty.

*Fire Plan Review Fee:* Implementing a Fire Plan Review Fee of \$100 would generate approximately \$67,800 in General Fund revenue in both FY 2014 and FY 2015. The Fire Department does not currently charge fees for fire plan reviews. The fee would help offset the salary and employee benefits costs of the Fire Specialist and Fire Captains who currently perform fire plan reviews.

*Hazardous Material Cleanup Fee:* The Fire Department estimates that it spends \$834,835 and 7.75 FTE on dealing with hazardous material cleanups annually. The Hazardous Material Cleanup Fee will seek reimbursement from responsible parties for the costs incurred by the Cincinnati Fire Department to respond to and clean up a hazardous materials incident scene. This fee would generate approximately \$100,000 in General Fund revenue annually.

*Krohn Conservatory Admission Fee Increase:* Increasing the Krohn Conservatory admission fee by \$0.50 would generate an additional \$125,000 in revenue. The current model charges \$3.00 for adults, \$2.00 for seniors and \$1.00 for children 4 and above. While admission revenue does not go into the General Fund, the fee increase will allow for shifting some of the operating costs for the Krohn Conservatory from the General Fund to the Krohn Conservatory Fund in both FY 2014 and FY 2015.

*Special Events Administrative Fee:* The Cincinnati Police Department does not currently charge a special event permit fee for the administrative resources used in relation to issuing special events permits or services provided at a special event. A 10% Special Events Administrative Fee would generate approximately \$10,000 in General Fund revenue annually.

The City's Manager's budget addresses several other tax and rate increases:

*Property Tax Millage:* The current property tax millage for operating purposes for Calendar Year (CY) 2013 is 4.60 mills. The City Council approved CY 2014 millage rate for General Fund operating purposes is 5.70 mills, which the Hamilton County Auditor has determined will yield \$26.6 million in property tax revenue to the City during that calendar year. This equates to an additional \$2.5 million in revenue for both FY 2014 and FY 2015. The City Charter authorizes a property tax levy of up to 6.1 mills for the General Fund operating budget. The Administration is proposing to fully restore the property tax millage to 6.1 mills in CY 2015, which would generate a total of \$1.3 million in additional revenue for the second half of FY 2015. This increase in the General Fund millage would equate to a \$34 annually increase to a homeowner of a \$100,000 house.

*Water Works Rate Increase:* A revenue increase equivalent to a 5.5% increase, effective January 1, 2014, represents a change in the current rate structure, which will better control for variable revenues by adjusting base charges and volume charges. The shift in the rate structure will lower the revenue volatility by shifting some of the operational costs into the base rates for some customers. The change to the pricing structure versus an across the board rate increase and the impact to the customer is negligible. If an across the board rate increase of 5.5% were approved, the average inside City customer's quarterly bill would increase from \$54.54 to \$57.51, or \$2.97 per quarter. With the new pricing structure, the customer's quarterly bill would increase from \$54.54 to \$57.65, or \$3.11 per quarter.

## **New Fiscal Year Timing**

In December 2012, City Council took action on the CY 2014 Tentative Tax Budget and its associated property tax millage rates. The Capital Budget that was approved by the City Council in December was appropriated in two segments: the first appropriation was for the "stub" period and the second was for Fiscal

Year 2014 (July 1, 2013 through June 30, 2014). The Capital Budget will be revisited in March 2014 for FY 2015. Further, the Consolidated Plan FY 2014 appropriations based on actual FY 2013 grant awards will be submitted under separate cover. Lastly, the CY 2015 Tentative Tax Budget will be presented in December 2013 for City Council's consideration.

Further, should the Court rule in the City's favor in the parking litigation and barring a change of direction by Council, the Administration's intent would be to restore the investment plan approved by Council in the Parking Modernization and Lease legislation:

- \$25.8 million to help balance the budget for the first year of the biennium.
- \$20.9 million for the second year of the biennium, should it be needed.
- \$6.3 million into a reserve account in accordance with the recommended actions from the rating agencies. We also would reach the 24% of payroll goal for deposit into the Pension Fund a full year earlier than planned.
- Invest in the Martin Luther King/I-71 Interchange (\$20.0 million); downtown apartment tower with grocery store (\$12.5 million); Wasson right-of-way acquisition (\$3.0 million); and Smale Riverfront Park (\$4.0 million).

Though a legal victory is being vigorously pursued, the ultimate resolution is not assured in time to affect what must be in place by June 1 to take effect July 1, 2013. Should a final legal victory be realized after July 1, the Administration would presume to move expeditiously to reverse some of the impacts of the cuts contained within the Manager's Recommended Budget.